

**DEPARTMENT OF NEIGHBORHOOD SERVICES
NEIGHBORHOOD DEVELOPMENT DIVISION**

*400 E. Stewart, 2nd Floor
Las Vegas, NV 89101
telephone: 702 229-2330
fax: 702 382-3045
email: www.ci.las-vegas.nv.us*

**City of Las Vegas
Neighborhood Services Department**

SUBRECIPIENT INFORMATION PROGRAM MANUAL

Home Investment Partnerships Program



Table of Contents

	<u>Page No.</u>
Introduction.....	1
I. General HUD Requirements for HOME	
A. Environmental Review.....	2
B. Davis-Bacon Act.....	2
C. Section 3.....	2
D. Construction Voucher Control.....	3
E. HOME Completion Reports.....	3
F. Preliminary Title Reports.....	3
G. Title Insurance.....	3
H. Relocation Requirements.....	3
I. Handicapped Accessibility Requirements.....	3
J. Housing Quality Standards.....	4
II. HOME Investment Partnerships Program (HOME)	
A. HOME Objectives.....	4
B. Required 25% Match.....	5
C. State HOME.....	5
D. Low Income Housing Trust Fund.....	5
E. Subrecipients.....	6
F. Community Housing Development Organizations.....	6
G. Eligible HOME fund activities.....	6
H. Home fund activities that are NOT eligible.....	6
I. Eligible Project Costs.....	7
J. Contractual Agreement.....	7
K. Period of Affordability.....	7
1. Rehabilitation and acquisition.....	7
2. New construction or acquisition of newly constructed units	7
L. Rental Housing-Program Targeting.....	8
1. Rules for rental housing.....	8
2. Definition of an affordable housing project.....	8
M. Home Ownership-Program Targeting.....	8
1. Program Description.....	8
2. Subrecipient Funding.....	9
3. Subrecipient Qualifications.....	9
4. Homebuyer Eligibility.....	9
5. Property Eligibility.....	10
6. Program Management.....	11
7. Participating Lenders.....	12
8. Eligible Reimbursement Costs	12
9. Recapture Provisions.....	14
10. Foreclosure/Payoff/Refinancing.....	14
11. Subrecipient Responsibilities.....	15
12. Project Set-ups.....	16
13. Project Completions.....	17
III. Fiscal Management	
A. Budget Section	18
B. Budget Revisions.....	18
C. Fiscal Records.....	18

1.	Bookkeeping Journals and Ledgers.....	18
2.	Time Records.....	19
D.	Expenditures.....	19
1.	Limitation of Expenditures.....	19
2.	Eligible Costs.....	20
E.	Reimbursement.....	20
1.	Request for Funds.....	20
2.	Staff Review.....	20
F.	Program Income.....	20
IV.	Administrative Provisions	
A.	Written Agreement with City.....	21
B.	Post-Award Responsibilities	21
C.	Federal Requirements.....	21
D.	Insurance	21
V.	Monitoring and Documentation	
A.	Monitoring by City.....	22
1.	Purpose	22
2.	On-Site Visits.....	22
B.	Client Documentation by Subrecipient.....	22
1.	Required Documentation	22
VI.	Exhibits	
A.	Acronyms	
B.	Conditions of Federal Funding	
C.	Insurance Requirements	
D.	Client Certification of Household Composition and Income	
E.	Housing Occupancy Statistics	
F.	Subrecipient Guidelines for Construction and Rehabilitation Funding	
G.	Environmental Review Clearance Request	
H.	Project Development Cost Data	
I.	Homeownership Assistance/ Rental Housing Project Set-Up Report	
J.	Rental Housing Project Completion Report	
K.	Homeownership Assistance Project Completion Report	
L.	Request for Funds (Projects)	
M.	Request for Funds (Homebuyers)	
N.	Low Income Housing Trust Fund (LIHTF) Project Set-Up Report	
O.	Low Income Housing Trust Fund Project Completion Report	
P.	LIHTF and State HOME Completion Report	
Q.	HOME/LIHTF Program Rent Limits	
R.	HOME/LIHTF Program Income Guidelines	
S.	HOME Per Unit Subsidy Limits	
T.	HOME Maximum Mortgage Limits	
U.	Real Property Acquisition and Improvement Terms and Conditions	
V.	Site Control Policy	
W.	CHDO/CBDO Qualifications Checklist	

Introduction

The City of Las Vegas (City) administers two main sources of Housing and Urban Development (HUD) funding through its Neighborhood Services Department (NSD), Neighborhood Development Division (NDD): Community Development Block Grant (CDBG) and HOME Investment Partnerships Program (HOME). HOME funding is used to support housing activities that benefit low-income (up to 80% of median income) and very low-income (50% or less of median income) households.

This manual sets forth policies and procedures for the administration of programs and projects funded by the City's HOME/LIHTF program. Although some portions of these procedures are complicated and involve complex Federal regulations and policies; this manual summarizes the essential elements for proper program operation.

No handbook can address every type of administrative/accounting problem or situation that may arise during the course of the contract year; therefore the City's NDD staff is available to respond to requests for clarification or additional information.

In the event that new procedures or policies are implemented during the contract period, NDD staff will provide timely notification and technical assistance.

This manual is neither intended to be all-inclusive nor so restrictive that it cannot be amended.

NDD Program Mailing Address City of Las Vegas
Neighborhood Services Department
400 Stewart, 2nd Floor
Las Vegas, NV 89101-2986

Telephone: 702 229-2330

FAX: 702 382-3045

TDD: 702-386-9108

NDD web site: www.ci.las-vegas.nv.us

I. GENERAL HUD REQUIREMENTS FOR HOME

A. ENVIRONMENTAL REVIEW

PRIOR TO SPENDING ANY FEDERAL FUNDS OR STARTING CONSTRUCTION, a Formal I Environmental Review must be completed and approved by HUD. As it generally takes 3-4 months for completion, it is important to include that time frame when planning the project time-line.

The Environmental Review Form (Exhibit "G") was provided to each of the agency representatives at the mandatory training sessions held by the City. After the agency has provided the information and returned the form to the City, NDD staff sends it to more than 15 agencies for their review and input. Once comment has been received from each agency, the project is advertised for 15 days in a local major newspaper for comment for the general public. After the comment period has passed, the entire file is referred to HUD in Phoenix, Arizona, for review and approval. Only after the Environment Review has been approved in writing by HUD is the HOME funding available for the project.

B. DAVIS-BACON ACT

The Davis-Bacon Act applies if the number of HOME assisted housing units is 12 or more. The workers must receive no less than HUD-certified Davis Bacon wages for the area in which they are working. The HUD Department of Labor Office in San Francisco provides these wages to the City, which also receives annual wage decisions from the State of Nevada. We monitor to ensure compliance with the regulations and that proper wages are paid.

After the current fiscal allocations are approved by the City Council, training workshops for agencies with approved projects are scheduled to review Davis-Bacon, Section 3, and Environmental Review requirements. When the agency assembles the information for bid specifications, NDD staff provides copies of the latest wage decision to be included in the package. Ten (10) days before the bid is opened, NDD staff provides the latest wage decisions so that the bids will be up to date and current.

C. SECTION 3

The Section 3 Program requires that contractors and sub-contractors hire residents of the area and provide them with training and/or exposure to construction trades. The eventual goal is to have the workers find a trade to work in so they can become self-sufficient. Section 3 applies only to projects that are \$200,000 or more for general contractors and when the sub-contractor's portion of the project exceeds \$100,000.

D. CONSTRUCTION VOUCHER CONTROL

NSD requires the use of voucher control for all construction projects that are \$100,000 or more. Voucher control may be required for projects that are less than \$100,000, as determined by department staff. The agreement will include language regarding voucher control, as well as a copy of the Disbursement Agreement between the City of Las Vegas, the Subrecipient, the Voucher Control Company, and the Contractor.

E. HOME COMPLETION REPORTS

It is the Subrecipient's responsibility to submit timely reports regarding the project. Ten percent or \$10,000.00, whichever is less, will be withheld from the project and/or voucher control funding, until a Request for Funds, accompanied by the Rental Housing Project Completion Report has been submitted by Subrecipient to the City. On residences up to four units, the amount withheld is \$500.00 per unit. Only after the report (Exhibit "J") has been received and approved, will the Subrecipient receive the final payment.

F. PRELIMINARY TITLE REPORT

The City will require receipt of a Preliminary Title Report on the Site to be encumbered by HOME funds prior to recordation of the Deed of Trust and prior to disbursement of any funds.

G. TITLE INSURANCE

The City will require receipt of Title Insurance from the Subrecipient on the Site in the amount of the HOME funds encumbering the property.

H. RELOCATION REQUIREMENTS

HOME-funded projects are subject to relocation requirements contained in the Uniform Relocation Act (URA), and in some projects, Section 104(d) of the Housing and Community Development Act. URA relocation requirements are triggered whenever displacement occurs as a direct result of rehabilitation, demolition, or acquisition for a HOME-assisted project. The extent of the relocation assistance will be determined on a project-by-project basis.

I. HANDICAPPED ACCESSIBILITY REQUIREMENTS

Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted activities on the basis of handicap, and imposes requirements to ensure that qualified individuals with handicaps have access to these program and activities. The extent of the application of Section 504 requirements will vary with each individual project, but a general guideline follows:

- For new construction of multi-family projects, a minimum of 5 percent of the units in the project, but not less than one unit, must be accessible to individuals with mobility impairments and an additional 2 percent of the total number of units, but not less than one unit, must be accessible to individuals with sensory impairments.
- Substantial rehabilitation for multifamily projects includes construction of 15 or more units for which the rehabilitation will be 75 percent or more of the replacement cost. A minimum of 5 percent, but not less than one unit, must be accessible to individuals with mobility impairments and an additional 2 percent of the total number of units, but not less than one unit, must be accessible to individuals with sensory impairments.

J. HOUSING QUALITY STANDARDS

All HOME-assisted funded housing, including homeownership and rental housing assisted with HOME funds, must maintain the housing in compliance with all applicable State and local housing quality standards (HQS) and code requirements. If there are no such standards, the housing must meet the housing quality standards in 24 CFR 982.402. Therefore, City of Las Vegas codes and standards apply. Each unit is required to have an annual HQS inspection performed by a certified HQS inspector.

II. HOME Investment Partnerships Program

A. HOME Objectives:

The National Affordable Housing Act of 1990 created the HOME Investment Partnerships (HOME) Program. This federal program is designed to strengthen public-private partnerships and to expand the supply of decent, safe, sanitary, and affordable housing. The City of Las Vegas is a member of the Clark County Consortium ("Consortium") and receives an annual allocation of federal HOME, State HOME, and Low Income Housing Trust Fund (for a detailed explanation, please see page five) from the Consortium.

HOME funds are used to achieve the following objectives:

- To provide decent affordable housing for very low-income and low-income households;
- To strengthen the ability of state and local governments to provide housing;
- To leverage private sector participation.

Eligible activities for use of these funds are defined in accordance with the following categories:

- Homebuyer activities;
- Rental housing activities;

- Housing rehabilitation;
- Affordable housing construction

B. Required 25 Percent Match

In general, HOME funds must be matched by nonfederal resources, which include but are not limited to: private cash or contributions from organizations, individuals, or other sources; in-kind salary or materials; Low Income Housing Trust Fund; or other nonfederal sources, as defined in Section 92.220.

C. State HOME

State HOME funds are HOME funds received by the State of Nevada and passed down through the Clark County Consortium to its members for use by members' Subrecipients. Rental units with State HOME must be rented to tenants with incomes at or below 60 percent of the area median income. The regulations are the same as for Federal HOME funds with the following exceptions:

- They have a 30 year affordability period;
- They are fully recapturable upon sale or transfer of title; and
- The projects will be monitored by the State, as well as the City and Consortium.

D. Low-Income Housing Trust Fund (LIHTF)

The Low-Income Housing Trust Fund (LIHTF) was created by the Nevada State Legislature. LIHTF monies are raised by a real estate transfer tax, and are to be used for welfare and affordable housing purposes. Since they are non-federal LIHTF may be used as the 25 percent match required by federal HOME. All LIHTF funds have a 30-year affordability period and are fully recapturable upon sale or transfer of title. LIHTF funds are disbursed by the State of Nevada directly to the Consortium. They may be used with HOME funds as a match for a project, or alone for affordable housing efforts that could have been funded through HOME. Fifteen percent (15%) of all units of a project funded with LIHTF must be rented to persons at or below poverty level. All Subrecipients are required to adhere to HOME program regulations.

E. Subrecipients:

HOME funds are allocated annually on an application basis to entities proposing projects that address the stated HOME objectives. A **Subrecipient** is selected by the City to administer all or a portion of the City's HOME program. Unless otherwise noted, the term "Subrecipient" will be used throughout this manual to denote all entities, including: a public agency or non-profit organization, developer, owner, or sponsor receiving HOME funds through the City's allocation. The only exception is a single family, owner-occupant, which is not considered a Subrecipient.

F. Community Housing Development Organization

A Community Housing Development Organization (CHDO) is a private nonprofit organization that has among its purposes the provision of decent housing that is affordable to low-income persons (persons with incomes less than 80% of the median income) as evidenced in its charter, articles of incorporation, resolutions, or by-laws. **CHDO set aside fund applications must be submitted to Clark County, as they are the lead agency of the Clark County HOME Consortium.** (See "CHDO Qualifications Checklist" attached hereto as Exhibit "A" for organizational requirements of a CHDO.)

G. Eligible HOME funds Activities:

- Production/acquisition of Rental Housing;
- Moderate rehabilitation – less than \$25,000 per unit (Rental or Homeowner);
- Substantial rehabilitation – more than \$25,000 (Rental or Homeowner);
- New construction;
- Finance costs;
- Site improvements;
- Homebuyer assistance.

H. HOME funds Activities that are NOT eligible:

- Public housing modernization;
- Tenant subsidies for special mandated purposes under Section 8;
- Matching funds for other programs;
- Annual contributions contracts;
- Operating subsidies for rental housing.

I. Eligible project costs:

- Development hard costs - cost of constructing or rehabilitating housing;
- Refinancing costs – cost to refinance existing debt secured by housing that is being rehabilitated with HOME funds;
- Acquisition costs – cost of acquiring improved or unimproved real property;
- Related soft costs – reasonable and necessary costs associated with the financing or development (or both) of new construction, rehabilitation, or acquisition of housing assisted with HOME funds;
- Down payment and closing costs.

J. Contractual Agreement

Prior to the release of HOME funds from the City, a written agreement must be executed with the Subrecipient. The agreement remains in effect during any period that the Subrecipient is operating a program or implementing a project in which HOME funds are being invested.

K. Period of Affordability

The HOME-assisted units must meet the affordability requirements for not less than the applicable period specified, beginning after project completion. Affordability requirements apply regardless of the term of any loan or mortgage or the transfer of ownership. They are imposed by deed restrictions, covenants running with the land, or other HUD approved mechanisms, but may terminate upon foreclosure or transfer in lieu of foreclosure.

1. Rehabilitation and acquisition of rental housing per unit amount of federal HOME funds:

- Under \$15,000..... 5 years
- \$15,000 to \$40,000..... 10 years
- Over \$40,000..... 15 years

2. New construction or acquisition of newly-constructed housing 20 years

Units assisted with State HOME or LIHTF must remain affordable for a minimum of 30 years. Moreover, such funds are recaptured upon sale or transfer of title of the assisted units. Each property has a deed of trust recorded on it specifying the amount that must be recaptured in the event of the sale or transfer. The proceeds are then distributed to the City of Las Vegas by the title company, and a deed of reconveyance is recorded from the City.

L. Rental Housing – Program Targeting

1. Rules for rental housing:

- 90 percent of HOME funds must be invested in units that are occupied by families whose incomes do not exceed 60 percent of the Area Median Income (AMI);
- The remaining 10 percent must be invested in units occupied by families below 80 percent of AMI;
- All HOME funds for any project must be invested in affordable units;
- 15 percent of all units funded by LIHTF must be occupied by persons at or below poverty level; the remaining 85 percent units must be occupied by persons at 60 percent AMI; and
- In projects of five (5) or more units, 20 percent of the units must be rented to persons whose income does not exceed 50 percent AMI.

2. Definition of an affordable housing project:

- Rents are at or below the existing Section 8 fair market rent or 30 percent of the adjusted income of a family whose income equals 65 percent of the AMI, whichever is less;
- Five or more units, where at least 20 percent are occupied by very low-income families paying not more than 30 percent of their monthly adjusted gross income for rent, or paying rents set at tax credit levels; and
- Units will remain affordable for the remaining useful life of the property or for a period consistent with economic viability as determined by the Secretary of HUD.

M. Home Ownership – Program Targeting

1. Program Description

The city of Las Vegas established its Homebuyer Assistance Program in 1995 for the purpose of providing down payment and qualified closing cost assistance to homebuyers whose income is at or below 80 percent of the area median income (AMI). The program is designed to aid those who wish to purchase homes within the city of Las Vegas city limits, have good credit, and qualify for the mortgage payments but do not have the cash for the down payment and closing costs.

The city will allocate a portion of its federal HOME money to create a fund for distribution to qualified non-profits (subrecipients) who will become the primary contact point for interested homebuyers and will be responsible for determining applicant eligibility and levels of financial assistance.

2. Subrecipient Funding

To ensure the Program's success, there must be a balance between the amount available in the fund and the rate at which the participating subrecipients commit and expend their funds. Each qualifying non-profit (subrecipient) will receive an initial allotment from the Program fund of \$50,000. Each project (homebuyer applicant) will be set up for the exact amount required at close of escrow, not to exceed either \$5,000 or \$10,000 depending on the applicant's AML. At no time will an agency be allowed to exceed their \$50,000 cap with open projects. Should a subrecipient fail to expend \$25,000 of their allocated amount within any 180-day period, their funding allocation will be reduced to \$5,000 i.e. funding granted on a project to project basis. No further funding allocation will be forthcoming until funds for each current project are expended. This allocation situation will continue for 60 days from the date of funding allocation reduction, at which time the subrecipient will be re-evaluated concerning the allocation base.

3. Subrecipient Qualifications

ONLY non-profit agencies, public or private, with current 501 C(3) or (4) status are eligible to apply as a subrecipient of the city of Las Vegas Homebuyer Assistance Program. A Request for Proposal (RFP) process will be utilized to determine the subrecipients to participate in the program. A committee of individuals representing the city of Las Vegas will review the proposals and select three participants for the program.

4. Homebuyer Eligibility

In order to qualify for the program, a potential homebuyer must:

- Be able to secure a first mortgage loan
- Have a total gross household income at or below 80 percent of the area's median income, adjusted for family size as determined annually by HUD for up to \$5,000 from the program; or

Have a total gross household income at or below 50 percent of the area's median income, adjusted for family size as determined annually by HUD for up to \$10,000 from the program
- Attend a homebuyer counseling program provided by a HUD-certified housing counseling agency
- Must make a minimum investment of \$500.00 by the close of escrow (in some cases up to 3 percent of the loan)
- Must have been a resident of the city of Las Vegas for one year or be a Clark County resident for at least one year moving into the city
- May not have total assets exceeding \$5,000 (this excludes one vehicles, subject property, and furniture and fixtures)

Assets include but may not be limited to the following: checking, savings, and money market accounts, bonds, stocks, mutual funds, pension funds, 401(k)s, boats, and motor homes. NOTE: Individual Retirement Account (IRA) funds or funds in a retirement savings account are deemed assets if they can be withdrawn and applied to down payment assistance without penalty to the Applicant

5. Property Eligibility

Property to be purchased must meet the following criteria:

- Be located within the city of Las Vegas city limits
- May be a single family home, condominium, or manufactured housing unit
- Purchase price (including all closing costs, options and upgrades) and appraised value less than 95 percent of median purchase price of area pursuant to 24 CFR 92.254 (a)(2)(iii) using the Single Family Mortgage Limits under Section 203 (b) of the National Housing Act (which may be obtained from the HUD Field Office)
- New construction or existing. If existing, must be owner occupied or have been vacant for at least six months. There are three exceptions to this qualification:
 - Present renter is the homebuyer
 - Tenant was evicted for cause or
 - Tenant moved voluntarily

NOTE: SELLER MUST SIGN AN AFFIDAVIT TO THIS EFFECT

- Must have a Housing Quality Standards (HQS) inspection and meet HQS acceptability criteria at time of initial occupancy (it will be seller's responsibility to pay for any repairs required for the property to pass the HQS inspection)
- Applicant must occupy as principal resident during the period of HUD affordability
- Applicant must accept a deed restriction for a five-year term from the date of close of escrow..
- Applicant may not allow any liens or encumbrances or refinance the property for the five- or ten-year affordability period. (NOTE: Applicant may refinance the property if the HOME money is being paid back to the city in the process – see pages 6-7 of this excerpt, "Foreclosure/Payoff/Refinancing")

6. Program Management

In addition to providing direct financial assistance, subrecipients will provide a range of technical assistance services including, but not limited to, homebuyer counseling, inspections (**including lead base paint by a certified inspector**), cost estimating, document preparation and loan administration. Participating subrecipients may charge a fee for these services that is reasonable and customary. Such fees must be disclosed to the potential homebuyer in writing and included in the loan agreement between the subrecipient and the homebuyer. In addition, the fees must be included in the Final HUD-I report as a charge to the buyer. These fees will be considered soft costs and will be paid out through escrow at project completion in accordance with the approved fee schedule.

Developers, builders, realtors, etc., are precluded from receiving HOME funded down payment assistance and subrecipients participating in the city of Las Vegas Homebuyer Assistance Program may not enter into any agreement to commit city of Las Vegas HOME funds to them for this purpose.

It is the responsibility of the participating subrecipients to ensure that prior to purchase, the proposed unit meet the required HQS and that it is located outside of the flood plain area (or adequate flood insurance is obtained) and not within a Runway Clear Zone (or if so located, a disclaimer form is obtained from the potential homebuyer).

The participating subrecipients will be required to provide to the city annual reports of their program's progress and accomplishments. In addition, they will be required to conduct annual recertifications of all homebuyers participating in the program to verify occupancy and household income which will be kept on file at the subrecipient's location subject to inspection during city staff monitoring visits.

All participating subrecipients will be expected to respond to any issues which arise concerning recapture, refinancing, or foreclosure of properties which were purchased through the city of Las Vegas HOME funded Homebuyer's Assistance Program.

In addition, subrecipients must follow all other program requirements referenced in the city of Las Vegas, Neighborhood Development Division HOME Program Subrecipient Program Manual as referenced in this attachment.

7. Participating Lenders

The participating subrecipients are required to issue a Request For Proposal (RFP) to solicit mortgage lenders that shall offer preferred terms to clients participating in the city's Homebuyer Assistance Program. Subrecipients shall provide to applicant lenders a copy of their homebuyers assistance program and a copy of the federal HOME regulations to which they will be required to adhere (24 CFR Part 92) in the RFP package. To protect HOME-assisted homebuyers from predatory lending practices, ensure competitive pricing, and promote efficient project administration, all participating subrecipients must establish

written procedures and a process to pre-approve the lenders. Subrecipients should use the following criteria in evaluating potential lenders:

- Capacity of the organization
- Commitment to serving nontraditional markets
- Quality of loan product(s)

Once submissions are received from lenders through the request for proposal process, a formal review process should be undertaken. Once lenders are selected, subrecipients are responsible for ensuring they receive information and instruction concerning HOME federal regulations as well as their own homebuyer assistance program. Subrecipients will be responsible for monitoring their selected lenders' performance through on-going assessment and review of products (at least yearly). Monitoring reports must be kept on file in the subrecipients' offices.

The subrecipient will then provide the list of approved lenders to potential homebuyers. Should a homebuyer desire to use a lender not included on the subrecipient's list, the lender must apply and receive approval according to the formal process established by the subrecipient to select lenders for the program. The lenders will be required to follow their stated policies and procedures to determine eligibility of the first mortgage loan. Once a homebuyer has been qualified, the lender may then refer them to the subrecipient as a potential HOME funds recipient.

The city of Las Vegas reserves the right to limit the duration of participation from successful lender respondents to the Request for Proposal.

8. Eligible Subrecipient Welcome Home Homebuyer Assistance Reimbursement Costs:

- Financial Assistance will involve zero interest, deferred payment, forgivable loan, secured by a Deed of Trust on the property being purchased;
- Minimum amount of any loan must be \$1,000;
- Maximum reimbursement of up to \$5,000 for households with incomes 80% or below AMI; and up to \$10,000 for households with incomes 50% or below AMI;

Subject to the following conditions, reasonable and customary closing costs will be paid with the HOME loan:

1. Assumes HOME-eligible buyer
2. Assumes close of mortgage escrow (If the loan does not close, HOME funds cannot be expended)
3. Assumes all costs meet the conditions established for the lender product as determined by the agreement between the subrecipient and the lender

4. Assumes subrecipient will review and certify Items 1 and 2 above for each request for payment
5. Assumes that all costs have been disclosed to borrower as required by law.
- Reasonable and customary closing costs as follows:
 - 1) Loan origination fee (up to 1%)
 - 2) Loan discount fee (up to 1%)
 - 3) Process fee to subrecipient (\$250.00 maximum)
 - 4) Appraisal fee up to \$300
 - 5) Credit report
 - 6) Recording fee
 - 7) Document filing fee
 - 8) Title insurance
 - 9) HQS inspection fee (\$75 maximum)
 - 10) Residential warranty (\$350/1 year maximum)
 - 11) Escrow fee
 - 12) Flood Certification fee
 - 13) Hazard insurance premium reserves (two month maximum)
 - 14) Private mortgage insurance reserves(two month maximum)
 - 15) Mortgage insurance premium (two month maximum)
 - 16) First lender processing fee
 - 17) Flood insurance premium
 - 18) Flood insurance reserves (two month maximum)
 - 19) Property tax reserves (two month maximum)
 - 20) Prepaid interest (30 days)

- Payment will not be made for the following:
 - 1) More than \$75 for HQS inspection;
 - 2) Property tax other than two months reserves in impound;
 - 3) More than \$300 for an appraisal;
 - 4) More than a twelve month residential warranty;
 - 5) Home inspection;
 - 6) More than two months flood insurance reserves;
 - 7) Sewer fees;
 - 8) Seller's property tax;
 - 9) More than two months hazard insurance reserves;
 - 10) More than two months mortgage insurance premium (MIP) reserves;
 - 11) More than two months private mortgage insurance(PMI) reserves;
 - 12) More than 30 days prepaid interest;
 - 13) Special Improvement District (SID) fee;
 - 14) Local Improvement District (LID) fee;
 - 15) Homeowners Association fees;
 - 16) Second appraisal;
 - 17) Second HQS inspection;
 - 18) Lead-based paint inspection by a certified inspector

9. Recapture Provisions

The Welcome Home Homebuyer Assistance Program will require a deferred loan period of five years for loans of \$10,000 or less.

The participating subrecipient will be required to recoup all or a portion of the HOME assistance provided to the homebuyer if the following occurs:

- The housing does not continue to be the principal residence of the homebuyer
- The property is sold or title is otherwise transferred during the period of affordability
- The property owner has breached the terms of the HOME agreement
- Death of the last surviving homebuyer of the property during period of affordability

The required recapture provisions will be enforced through the execution of a Loan Agreement between the subrecipient and the homebuyer, which will include the signing of a Promissory Note and a Deed of Trust.

10. Foreclosure/Payoff/Refinancing

Should the homeowner's property go into foreclosure proceedings, the subrecipient will take all precautions necessary to ensure the HOME funds invested in the property are protected. The subrecipient should also offer counseling to the homebuyer prior to entering into foreclosure. In the event of a foreclosure, all deed restrictions contained within the homebuyer agreement and the Deed of Trust will terminate.

Should the homeowner repay the HOME funds invested in the property, the subrecipient shall issue a check to the city of Las Vegas. The city will then execute a Substitution of Trustee and a Deed of Reconveyance and send this to the homeowner's title company.

Refinancing of a HOME-assisted property is allowable only for the following situations (unless the HOME money is repaid to the city in the refinancing process):

1. To lower the interest rate and monthly payment on the first mortgage;
2. To allow the borrower to secure a loan to cover emergency non-insured property damage to the home;
3. To allow the borrower to secure a loan to cover major, non-insured medical treatment.

NOTE: City of Las Vegas will not subordinate its position for other credit debt or loans, which do not meet the criteria noted above. In addition, the City will not subordinate its position if the borrower is refinancing to "cash-out" their equity for any reason.

11. Subrecipient Responsibilities

The following is a list of activities the subrecipient will be responsible for implementing to ensure the success of the program:

- Marketing and Outreach

An affirmative action plan must be developed and implemented to insure that information and access for the program is made available to a broad spectrum of the community with an emphasis on traditionally under-served populations.

- Homebuyer Education

All HOME-assisted homebuyers must complete a city-approved homebuyer education course conducted by a HUD-certified counselor. A copy of each homebuyer's certificate of completion must be maintained in the file by the subrecipient. Prior to commitment of HOME funds, homebuyers must be informed of all requirements and fees charged to participate in the homebuyer program, including the requirement to sign a Deed of Trust and the requirement of flood insurance if the property is located in a flood plain. In addition, the homebuyer must be educated concerning the hazards of lead-based paint and the lead-based paint requirements and a signed acknowledgement of this education by the homebuyer indicating that he has received this training and understands the dangers of lead based paint must be obtained and maintained by the subrecipient in the project file.

- Determination of Income Eligibility

Technical eligibility of the household will be performed by the subrecipient staff,

independent of the financial analysis performed by other entities, e.g. lenders, realtors. Household income eligibility will be performed in accordance with procedures identified in HUD's *Technical Guide for Determining Income and Allowances for the HOME Program, Second Edition* (HUD-1780-CPD), using the most current HUD HOME Program Income Limits (Attachment A). An Income Eligibility Package must be completed on each household to include at a minimum an income and asset questionnaire, Household Income Declaration Form, and source documents used to verify income.

- **Commitment of HOME Funds**

Subrecipients should not commit HOME funds to a homebuyer project until the following has occurred:

1. Prospective Homebuyer has completed the required Homebuyer education course
2. Household has been approved for a first mortgage loan through an approved lender
3. Subrecipient has received authorization from city staff that sufficient funds are available (city staff receives this verification through the issuance of a project number)

Commitment of funds will be for a minimum period of 45 days. The Subrecipient must have a written policy concerning the procedures to be followed if the homebuyer is unable to close escrow within the time allowed. Homebuyer must sign this policy acknowledging that they have read, understand, and agree to its terms.

NOTE: Because Subrecipients are only authorized to commit a total of \$50,000 HOME funds at one time, timely closing of escrow and submission of packages will be important to their ability to continue approving additional loans.

12. Project Set-ups

A project set-up is initiated when a Subrecipient sends to city staff a Set-Up report. A set-up will not be authorized until the city has obtained specific project number from the County. Once the project number is issued to the homebuyer, funds are encumbered for the project for the minimum 45 day period. The subrecipient must formally notify the city request that the project be canceled.

Authorization to commit funds means that the subrecipient will be reimbursed for HOME-eligible costs it incurred per program guidelines on behalf of a HOME-eligible homebuyer.

13. Project Completions

Once the subrecipient receives a copy of the recorded Deed of Trust and a final HUD-1, the subrecipient may submit a completion report and request for reimbursement. This must be mailed to the city and include:

1. Completion Report
2. Request for Funds
3. Funds Applied Worksheet
4. Copy of subrecipient's check to title company
5. Copy of refund check, if applicable
6. Copy of all checks from title company or homebuyer to the subrecipient
7. Copy of final settlement statement (final signed HUD-1)
8. Deed of Trust (NOTE: copy of signed original must be recorded within 30 working days from close of escrow)
9. Signed Loan Agreement
10. Signed Promissory Note
11. Certified File Checklist
12. Proof of homeowners insurance
13. Signed Request for Notice

14. Monitoring/Reporting

Subrecipient will be responsible for standard HOME reporting requirements. In addition, the subrecipient must maintain the files with all updated material for five years after the ending of the period of affordability.

15. Lead Base Paint (LBP) Requirements

If the home that the prospective HOME-funded homebuyer has chosen was built prior to 1978, prior to close of escrow, the seller (at their expense) must have the home tested for lead based paint by an Environmental Protection Agency (EPA) State of Nevada certified risk assessor. If it is determined that the chosen home has lead-based paint anywhere on the building, the home will be disqualified from the city's Welcome Home Homebuyer Assistance Program.

For properties built after 1978, prior to close of escrow, a visual assessment of all painted surfaces contained in the proposed property to be purchased, must be conducted to identify deteriorated paint and/or paint stabilization of deteriorated paint surfaces. A clearance examination will be required. The subrecipient must make every effort to provide a prompt visual assessment of the property to ensure that the time-limits of the real estate contract are met.

III. Fiscal Management

A. Budget Section

All applications for HOME funds include a budget section, which includes three reports on forms provided in the City Application form:

1. Project Development Cost Data – Detailed estimated costs and amounts to be paid by HOME funds, including acquisition of land and buildings; construction/rehabilitation and financing costs; permanent Loan Financing costs; related soft costs-general; and developer costs.

2. Sources of Funds Data – all funding commitments from all donors and funding sources, including HOME
3. Uses of Funds Summary – describes how the funds will be used

B. Budget Revisions

Modifications to approved budgets are allowable but must be directly related to changes in project services and activities.

Development Project budgets may be modified only through written request to the City identifying the reasons for the specific changes and resultant line item changes. The written approval of the request must be received by the Subrecipient prior to implementation.

The Director of the City of Las Vegas Neighborhood Services Department or the Neighborhood Services Development Division Manager has the authority to grant or deny requests for budget revisions. The City will issue a written decision within 7 business days of receiving the request.

C. Fiscal Records

Organizations receiving HOME funds must keep the following fiscal records:

1. Bookkeeping Journals and Ledgers

Cash receipts journal, cash disbursements journal, expense journal, general journal, and general ledgers must be maintained. Back-up documentation for the journal entries must be kept and properly filed. Documentation must include: invoices, bills and other receipts, deposit slips, bank statements, check stubs, check books, canceled checks, purchase orders, petty cash records and other verification as applicable. Each project must have separate journal entries.

2. Time Records

The Subrecipient shall maintain a system of internal control in accordance with generally accepted accounting practices. Internal control consists of a plan or procedure to safeguard assets, check the adequacy and reliability of accounting data, promote operating efficiency, and assure adherence to prescribed management policies. On or before 90 calendar days after termination of the contract, the project coordinator should submit to the City an annual inventory update and a closeout financial report. All property, documents, data, studies, reports and records purchased or prepared by the Subrecipient under contract should be disposed of according to contract.

In the event the program or project terminates, copies of all records relating to the project or activity that are the subject of the contract shall be furnished to the City.

Financial reports required to be prepared and submitted by the Subrecipient to the City shall be accurate and correct in all respects. Should inaccurate reports be submitted to the City, the City may elect to have the Subrecipient secure the services of a licensed accounting firm. The cost of such accounting services will be the responsibility of the Subrecipient.

D. Expenditures

All expenditures associated with an approved activity or project must comply with the following criteria:

1. Limitation of Expenditures

- a) The Subrecipient shall not expend funds provided under the contract prior to obtaining a fully executed contract.
- b) Expenditures shall be made in conformance with the approved budget and shall meet the criteria established for allowable costs.
- c) Expenditures shall be in direct support of the project, which is the subject of the contract. The Subrecipient shall notify the City in writing of any expenditure for items jointly used for any other project(s) and the expenditures shall be apportioned according to the percentage of direct use in the project.
- d) Expenditures shall not be incurred prior to completion of the Environmental Review;
- e) All expenditures are paid on a reimbursement basis except for acquisition, which are paid directly to the title company.

2. Eligible Costs

To be eligible for payment, costs must be in compliance with Office of Management and Budget Circular (OMB) A-87 and with the principles set forth below:

- a. Necessary and reasonable for the proper and efficient performance of the contract and in accordance with the approved budget; the City has final authority to determine in good faith whether an expenditure is "necessary and reasonable";
- b. Conform to the limitations within this manual and to any governing statutes, regulations and ordinances;
- c. Fully documented and determined in accordance with approved accounting procedures;
- d. Not included as a cost or used to meet cost sharing or matching requirements of any other funding source in either the current or a prior period;
- e. Net amount of all applicable credits such as purchase documents, rebates, sales or other income or refunds;
- f. Document all costs by maintaining complete and accurate records of all financial transactions, including but not limited to: contracts, invoices, timecards, cash receipts, vouchers, canceled checks, bank statements and/or other official documentation evidencing in proper detail the nature and propriety of all charges;
- g. Submit to HUD or City at such times and in such forms as HUD or, City may require, statements, records, reports, data, and information pertaining to matters covered by the agreement or contract.

E. Reimbursement

1. Request for Funds

Request for funds reimbursement for eligible expenses are presented to the City with all related backup material, including copies of invoices and cancelled checks. See "Request for Funds" form attached hereto as Exhibit "L".

2. Staff Review

City NDD staff will review each request for reimbursement submitted by Subrecipient. Questionable or ineligible expenses will be identified and the Subrecipient will be requested to submit clarifications, corrections, or additional information.

F. Program Income

Any Program Income not directly offset by maintenance or operating expenses for that project must be returned to the City of Las Vegas.

IV. ADMINISTRATIVE PROVISIONS

A. Written Agreement with City

A written agreement (contract) must be entered into between the City and all entities receiving HOME funds. It forms the basis for the contractual obligation between the parties to fund and implement the activity, program, or project. The agreement denotes responsibilities attributable to each party, outlines the scope of services to be provided, and methods of accountability. Execution of the agreement binds the Subrecipient for a specified period of time and is changeable only upon written authorization from the City.

B. Post-Award Responsibilities

Once the agreement is executed between the City and the Subrecipient, the Subrecipient is required to:

1. Immediately report all changes in its articles of incorporation, bylaws, or tax-exempt status to the City.
2. Maintain no member of the Board of Directors as a paid employee, agent or subcontractor.
3. Include on the Board of Directors representation from the broadest possible cross-section of the community, including those with expertise and interest in the provided services, representatives from community organizations interested in the services, and users of the services.
4. Ensure all meetings of the Board of Directors are open to the public, except meetings, or portions thereof, dealing with personnel or litigation matters.
5. Keep minutes of all regular and special meetings of the Board of Directors and, upon approval, forward copies to the NDD Project Officer and have a regular meeting at least once each three (3) months.

C. Federal Requirements

Subrecipients must comply with all applicable federal regulations governing the use of HOME funds. These regulations include but may not be limited to those identified on the "Conditions of Federal Funding" attached hereto as Exhibit "B".

D. Insurance

Subrecipients shall obtain and maintain the minimum insurance coverages outlined in "Insurance Requirements" attached hereto as Exhibit "C".

V. Monitoring and Documentation

A. Monitoring by City

1. Purpose

City NDD staff will conduct an on-going monitoring process in order to review the programmatic and financial aspects of the Subrecipient's activities. NDD staff will review annual reports submitted by the Subrecipient for compliance with federal regulations regarding the use of federal funds and the implementation of the program or project.

The monitoring process is oriented towards resolving problems, offering technical assistance, and promoting timely implementation of projects. To this end NDD staff may require corrective actions of the Subrecipient.

Following are examples of significant problems, which will trigger corrective action by the Subrecipient:

- a. Services are not documented.
- b. Goals are not being met.
- c. Project files not in order.
- d. Complaints by clients.
- e. Required reports not being submitted in a timely manner.
- f. Client not documented information.

2. On-Site Visits

Based on monitoring results, City NDD staff may require meetings with Subrecipients whose performance does not appear to be sufficient to meet the goals and achievements as outlined in the agreement. An on-site visit may occur to discuss the service activity shortfall. Annual on-site monitoring visits will also be conducted in order to ascertain that eligible clients for whom the program or project was intended are being served and that in the event of an audit, the required client information is being maintained.

B. Client Documentation by Subrecipient

Each Subrecipient is required to maintain documentation on clients benefiting from activities, programs, or projects funded through the City's NDD program. As a condition of receiving the HUD grant, the City, and in turn the Subrecipient, must certify that low and very-low income persons are being served. HUD also requires information on the race and ethnic background of the clients, how many are female heads of households, their residency in the City and how many are very- low income. City NDD staff and HUD must also have access to the names of the clients. Any information regarding applicants for services funded through federal monies shall be held in strict confidence.

1. Required Documentation

a. All Subrecipients shall obtain and maintain the following information on each client served:

- 1) Client name and address;
- 2) Gender;
- 3) Ethnicity/race;
- 4) Head of household status;
- 5) Income.

This information shall be submitted with the Subrecipient's annual report. Subrecipients shall use the "Client Certification of Household Composition and Income" form attached hereto as Exhibit "I" to collect this information from assisted households.